

AMENDED IN ASSEMBLY JUNE 14, 2016

AMENDED IN ASSEMBLY MAY 25, 2016

**SENATE BILL**

**No. 846**

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**Introduced by Committee on Budget and Fiscal Review**

January 7, 2016

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~~An act relating to the Budget Act of 2016. An act to amend Sections 5830 and 5847 of, and to add Part 3.9 (commencing with Section 5849.1) to Division 5 of, the Welfare and Institutions Code, relating to housing, and making an appropriation therefor, to take effect immediately, bill related to the budget.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 846, as amended, Committee on Budget and Fiscal Review.  
~~Budget Act of 2016. No Place Like Home Program: establishment.~~

(1) *The Mental Health Services Act (MHSA), an initiative measure enacted by the voters as Proposition 63 at the November 2, 2004, statewide general election, imposes a 1% tax on that portion of a taxpayer's taxable income that exceeds \$1,000,000 and requires that the revenue from that tax be deposited in the Mental Health Services Fund to fund various county mental health programs. The MHSA authorizes the Legislature to amend its provisions by a <sup>2</sup>/<sub>3</sub> vote, provided that the amendment is consistent with and furthers the intent of the act.*

*This bill would establish the No Place Like Home Program, to be administered by the Department of Housing and Community Development. The bill would require the department to award \$2,000,000,000 through a competitive program among counties to finance capital costs, including, but not limited to, acquisition, design, construction, rehabilitation, or preservation, and to capitalize operating reserves, of permanent supportive housing for the target population,*

*as specified. The bill would further require the department to allocate \$1,800,000 to a competitive program, as specified, and would require that applicants meet specified requirements to be eligible to apply for funding and would require the department to evaluate applications using specified criteria. The bill would require the department to award moneys in four rounds, as provided. The bill would require the department to allocate \$200,000,000 among all counties within this state based on a calculation that includes, among other considerations, the numbers of homeless persons residing in each county. The bill would establish, and continuously appropriate, the No Place Like Home Fund for these purposes. The bill would also appropriate \$6,200,000 from the Mental Health Services Fund to the department to provide technical and application preparation assistance to counties. The bill would require counties to annually report to the department on activities funded under these provisions, as provided.*

*This bill would establish the No Place Like Home Program Advisory Committee, as specified, and require the committee to assist and advise the department in the implementation of the program, review and make recommendations on the department's guidelines, review the department's progress in distributing moneys pursuant to the program, and provide advise and guidance on statewide homelessness issues. The bill would also require the department to submit a report on the program to the Legislature by December 31 of each year, as specified, and, upon an appropriation for that purpose, to contract with a public or private research university in this state to evaluate the program, as provided.*

*(2)The MHSA, among other things, requires county health programs to develop plans for innovative programs, to be funded as provided, and requires that the innovative program have specified purposes, including increasing access to services. Existing law requires that the projects included in the innovative program portion of a county health plan meet specified requirements, including increasing access to underserved groups and increasing access to services.*

*This bill would specify that the services required to be provided through these programs, among other things, may include the provision of permanent supportive housing.*

*(3) This bill would declare that its provisions further the intent of the MHSA.*

*(4) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.*

~~This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2016.~~

Vote: ~~majority~~<sup>2/3</sup>. Appropriation: ~~no~~ yes. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. Section 5830 of the Welfare and Institutions Code*  
2     *is amended to read:*

3     5830. County mental health programs shall develop plans for  
4     innovative programs to be funded pursuant to paragraph (6) of  
5     subdivision (a) of Section 5892.

6     (a) The innovative programs shall have the following purposes:

7         (1) To increase access to underserved groups.

8         (2) To increase the quality of services, including better  
9     outcomes.

10        (3) To promote interagency collaboration.

11        (4) To increase access to ~~services~~. *services, including, but not*  
12     *limited to, services provided through permanent supportive*  
13     *housing.*

14     (b) All projects included in the innovative program portion of  
15     the county plan shall meet the following requirements:

16        (1) Address one of the following purposes as its primary  
17     purpose:

18           (A) Increase access to underserved ~~groups~~. *groups, which may*  
19     *include providing access through the provision of permanent*  
20     *supportive housing.*

21           (B) Increase the quality of services, including measurable  
22     outcomes.

23           (C) Promote interagency and community collaboration.

24           (D) Increase access to ~~services~~. *services, which may include*  
25     *providing access through the provision of permanent supportive*  
26     *housing.*

27        (2) Support innovative approaches by doing one of the  
28     following:

29           (A) Introducing new mental health practices or approaches,  
30     including, but not limited to, prevention and early intervention.

31           (B) Making a change to an existing mental health practice or  
32     approach, including, but not limited to, adaptation for a new setting  
33     or community.

1 (C) Introducing a new application to the mental health system  
2 of a promising community-driven practice or an approach that has  
3 been successful in nonmental health contexts or settings.

4 (D) *Participating in a housing program designed to stabilize a*  
5 *person's living situation while also providing supportive services*  
6 *on site.*

7 (c) An innovative project may affect virtually any aspect of  
8 mental health practices or assess a new or changed application of  
9 a promising approach to solving persistent, seemingly intractable  
10 mental health challenges, including, but not limited to, any of the  
11 following:

12 (1) Administrative, governance, and organizational practices,  
13 processes, or procedures.

14 (2) Advocacy.

15 (3) Education and training for service providers, including  
16 nontraditional mental health practitioners.

17 (4) Outreach, capacity building, and community development.

18 (5) System development.

19 (6) Public education efforts.

20 (7) Research.

21 (8) Services and interventions, including prevention, early  
22 intervention, and treatment.

23 (9) *Permanent supportive housing development.*

24 (d) If an innovative project has proven to be successful and a  
25 county chooses to continue it, the project workplan shall transition  
26 to another category of funding as appropriate.

27 (e) County mental health programs shall expend funds for their  
28 innovation programs upon approval by the Mental Health Services  
29 Oversight and Accountability Commission.

30 *SEC. 2. Section 5847 of the Welfare and Institutions Code is*  
31 *amended to read:*

32 5847. Integrated Plans for Prevention, Innovation, and System  
33 of Care Services.

34 (a) Each county mental health program shall prepare and submit  
35 a three-year program and expenditure plan, and annual updates,  
36 adopted by the county board of supervisors, to the Mental Health  
37 Services Oversight and Accountability Commission within 30 days  
38 after adoption.

39 (b) The three-year program and expenditure plan shall be based  
40 on available unspent funds and estimated revenue allocations

1 provided by the state and in accordance with established  
2 stakeholder engagement and planning requirements as required in  
3 Section 5848. The three-year program and expenditure plan and  
4 annual updates shall include all of the following:

5 (1) A program for prevention and early intervention in  
6 accordance with Part 3.6 (commencing with Section 5840).

7 (2) A program for services to children in accordance with Part  
8 4 (commencing with Section 5850), to include a program pursuant  
9 to Chapter 4 (commencing with Section 18250) of Part 6 of  
10 Division 9 or provide substantial evidence that it is not feasible to  
11 establish a wraparound program in that county.

12 (3) A program for services to adults and seniors in accordance  
13 with Part 3 (commencing with Section 5800).

14 (4) A program for innovations in accordance with Part 3.2  
15 (commencing with Section 5830).

16 (5) A program for technological needs and capital facilities  
17 needed to provide services pursuant to Part 3 (commencing with  
18 Section 5800), Part 3.6 (commencing with Section 5840), and Part  
19 4 (commencing with Section 5850). All plans for proposed facilities  
20 with restrictive settings shall demonstrate that the needs of the  
21 people to be served cannot be met in a less restrictive or more  
22 integrated ~~setting~~ *setting, such as permanent supportive housing*.

23 (6) Identification of shortages in personnel to provide services  
24 pursuant to the above programs and the additional assistance  
25 needed from the education and training programs established  
26 pursuant to Part 3.1 (commencing with Section 5820).

27 (7) Establishment and maintenance of a prudent reserve to  
28 ensure the county program will continue to be able to serve  
29 children, adults, and seniors that it is currently serving pursuant  
30 to Part 3 (commencing with Section 5800), the Adult and Older  
31 Adult Mental Health System of Care Act, Part 3.6 (commencing  
32 with Section 5840), Prevention and Early Intervention Programs,  
33 and Part 4 (commencing with Section 5850), the Children's Mental  
34 Health Services Act, during years in which revenues for the Mental  
35 Health Services Fund are below recent averages adjusted by  
36 changes in the state population and the California Consumer Price  
37 Index.

38 (8) Certification by the county behavioral health director, which  
39 ensures that the county has complied with all pertinent regulations,

1 laws, and statutes of the Mental Health Services Act, including  
2 stakeholder participation and nonsupplantation requirements.

3 (9) Certification by the county behavioral health director and  
4 by the county auditor-controller that the county has complied with  
5 any fiscal accountability requirements as directed by the State  
6 Department of Health Care Services, and that all expenditures are  
7 consistent with the requirements of the Mental Health Services  
8 Act.

9 (c) The programs established pursuant to paragraphs (2) and  
10 (3) of subdivision (b) shall include services to address the needs  
11 of transition age youth 16 to 25 years of age. In implementing this  
12 subdivision, county mental health programs shall consider the  
13 needs of transition age foster youth.

14 (d) Each year, the State Department of Health Care Services  
15 shall inform the County Behavioral Health Directors Association  
16 of California and the Mental Health Services Oversight and  
17 Accountability Commission of the methodology used for revenue  
18 allocation to the counties.

19 (e) Each county mental health program shall prepare expenditure  
20 plans pursuant to Part 3 (commencing with Section 5800) for adults  
21 and seniors, Part 3.2 (commencing with Section 5830) for  
22 innovative programs, Part 3.6 (commencing with Section 5840)  
23 for prevention and early intervention programs, and Part 4  
24 (commencing with Section 5850) for services for children, and  
25 updates to the plans developed pursuant to this section. Each  
26 expenditure update shall indicate the number of children, adults,  
27 and seniors to be served pursuant to Part 3 (commencing with  
28 Section 5800), and Part 4 (commencing with Section 5850), and  
29 the cost per person. The expenditure update shall include utilization  
30 of unspent funds allocated in the previous year and the proposed  
31 expenditure for the same purpose.

32 (f) A county mental health program shall include an allocation  
33 of funds from a reserve established pursuant to paragraph (7) of  
34 subdivision (b) for services pursuant to paragraphs (2) and (3) of  
35 subdivision (b) in years in which the allocation of funds for services  
36 pursuant to subdivision (e) are not adequate to continue to serve  
37 the same number of individuals as the county had been serving in  
38 the previous fiscal year.

39 *SEC. 3. Part 3.9 (commencing with Section 5849.1) is added*  
40 *to Division 5 of the Welfare and Institutions Code, to read:*

PART 3.9. THE NO PLACE LIKE HOME PROGRAM

5849.1. (a) *The Legislature finds and declares that this part is consistent with and furthers the purposes of the Mental Health Services Act, enacted by Proposition 63 at the November 2, 2004, statewide general election, within the meaning of Section 18 of that measure.*

(b) *The Legislature further finds and declares all of the following:*

(1) *Housing is a key factor for stabilization and recovery to occur and results in improved outcomes for individuals living with a mental illness.*

(2) *Untreated mental illness can increase the risk of homelessness, especially for single adults.*

(3) *California has the nation's largest homeless population that is disproportionally comprised of women with children, veterans, and the chronically homeless.*

(4) *California has the largest number of homeless veterans in the United States at 24 percent of the total population in our nation. Fifty percent of California's veterans live with serious mental illness and 70 percent have a substance use disorder.*

(5) *Fifty percent of mothers experiencing homelessness have experienced a major depressive episode since becoming homeless and 36 percent of these mothers live with post-traumatic stress disorder and 41 percent have a substance use disorder.*

(6) *Ninety-three percent of supportive housing tenants who live with mental illness and substance use disorders voluntarily participated in the services offered.*

(7) *Adults who receive 2 years of "whatever-it-takes," or Full Service Partnership services, experience a 68 percent reduction in homelessness.*

(8) *For every dollar of bond funds invested in permanent supportive housing, the state and local governments can leverage a significant amount of additional dollars through tax credits, Medicaid health services funding, and other housing development funds.*

(9) *Tenants of permanent supportive housing reduced their visits to the emergency department by 56 percent, and their hospital admissions by 45 percent.*

1     (10) The cost in public services for a chronically homeless  
2     Californian ranges from \$60,000 to \$100,000 annually. When  
3     housed, these costs are cut in half and some reports show  
4     reductions in cost of more than 70 percent, including potentially  
5     less involvement with the health and criminal justice systems.

6     (11) Californians have identified homelessness as their top tier  
7     priority; this measure seeks to address the needs of the most  
8     vulnerable people within this population.

9     (12) Having counties provide mental health programming and  
10    services is a benefit to the state.

11    5849.2. As used in this part, the following definitions shall  
12    apply:

13    (a) “At risk of chronic homelessness” includes, but is not limited  
14    to, persons who are at high risk of long-term or intermittent  
15    homelessness, including persons with mental illness exiting  
16    institutionalized settings, including, but not limited to, jail and  
17    mental health facilities, who were homeless prior to admission,  
18    transition age youth experiencing homelessness or with significant  
19    barriers to housing stability, and others, as defined in program  
20    guidelines.

21    (b) “Chronically homeless” has the same meaning as defined  
22    in Section 578.3 of Title 24 of the Code of Federal Regulations,  
23    as that section read on May 1, 2016.

24    (c) “Committee” means the No Place Like Home Program  
25    Advisory Committee established pursuant to Section 5849.3.

26    (d) “County” includes, but is not limited to, a city and county.

27    (e) “Department” means the Department of Housing and  
28    Community Development.

29    (f) “Development sponsor” has the same meaning as “sponsor”  
30    as defined in Section 50675.2 of the Health and Safety Code.

31    (g) “Fund” means the No Place Like Home Fund established  
32    pursuant to Section 5849.4.

33    (h) “Homeless” has the same meaning as defined in Section  
34    578.3 of Title 24 of the Code of Federal Regulations, as that section  
35    read on May 1, 2016.

36    (i) “Permanent supportive housing” has the same meaning as  
37    “supportive housing,” as defined in Section 50675.14 of the Health  
38    and Safety Code, except that “permanent supportive housing”  
39    shall include associated facilities if used to provide services to  
40    housing residents.



1 (j) “Program” means the process for awarding funds and  
2 distributing moneys to applicants established in Sections 5849.7,  
3 5849.8, and 5849.9.

4 (1) “Competitive program” means that portion of the program  
5 established by Section 5849.8.

6 (2) “Distribution program” means that portion of the program  
7 described in Section 5849.9.

8 (k) “Target population” means individuals or households as  
9 provided in Section 5600.3 who are homeless, chronically  
10 homeless, or at risk of chronic homelessness.

11 5849.3. (a) There is hereby established the No Place Like  
12 Home Program Advisory Committee. Membership on the committee  
13 shall be as follows:

14 (1) The Director of Housing and Community Development, or  
15 his or her designee, who shall serve as the chairperson of the  
16 committee.

17 (2) The Director of Health Care Services, or his or her designee,  
18 and an additional representative.

19 (3) The Secretary of Veterans Affairs, or his or her designee.

20 (4) The Director of Social Services, or his or her designee.

21 (5) The Treasurer, or his or her designee.

22 (6) The chair of the Mental Health Services Oversight and  
23 Accountability Commission, or his or her designee.

24 (7) A chief administrative officer of a small county or a member  
25 of a county board of supervisors of a small county, as provided by  
26 subdivision (d) of Section 5489.6, to be appointed by the Governor.

27 (8) A chief administrative officer of a large county or a member  
28 of a county board of supervisors of a large county, as provided by  
29 subdivision (b) of Section 5489.6, to be appointed by the Governor.

30 (9) A director of a county behavioral health department, to be  
31 appointed by the Governor.

32 (10) An administrative officer of a city, to be appointed by the  
33 Governor.

34 (11) A representative of an affordable housing organization, to  
35 be appointed by the Speaker of the Assembly.

36 (12) A resident of supportive housing, to be appointed by the  
37 Governor.

38 (13) A representative of a community mental health  
39 organization, to be appointed by the Senate Rules Committee.

1     (14) A representative of a local or regional continuum of care  
2     organization that coordinates homelessness funding, to be  
3     appointed by the Governor.

4     (b) The committee shall do all of the following:

5     (1) Assist and advise the department in the implementation of  
6     the program.

7     (2) Review and make recommendations on the department's  
8     guidelines.

9     (3) Review the department's progress in distributing moneys  
10    pursuant to this part.

11    (4) Provide advice and guidance more broadly on statewide  
12    homelessness issues.

13    5849.4. (a) The No Place Like Home Fund is hereby created  
14    within the State Treasury and, notwithstanding Section 13340 of  
15    the Government Code, continuously appropriated to the department  
16    for the purposes of this part. The department may use up to five  
17    percent of the amount deposited in the fund for administrative  
18    expenses in implementing this part.

19    (b) There shall be paid into the fund the following:

20    (1) Any proceeds from the issuance of bonds by the Treasurer  
21    for the purpose of implementing the program.

22    (2) Any other federal or state grant, or from any private  
23    donation or grant, for the purposes of this part.

24    (3) Any interest payment, loan repayments, or other return of  
25    funds.

26    5849.5. (a) The department may adopt guidelines or  
27    regulations as necessary to exercise the powers and perform the  
28    duties conferred or imposed on it by this part. Any guideline or  
29    regulation adopted pursuant to this section shall not be subject to  
30    the requirements of the Administrative Procedure Act (Chapter  
31    3.5 (commencing with Section 11340) of Part 1 of Division 3 of  
32    Title 2 of the Government Code). The department shall consult  
33    with key stakeholders including, but not limited to, counties.

34    (b) The department may adopt emergency regulations in order  
35    to expedite the award of moneys pursuant to this part.

36    5849.6. For the purpose of administering this part, the  
37    department shall organize counties into the following competitive  
38    groupings based on population:

39    (a) The County of Los Angeles.

40    (b) Large counties with a population greater than 750,000.

1     (c) Medium counties with a population between 200,000 to  
2     750,000.

3     (d) Small counties with a population less than 200,000.

4     The competitive program shall distribute funding among the  
5     groupings based on a calculation made by the department that  
6     shall include the number of homeless persons residing within each  
7     county, as determined by the department, and considers minimum  
8     funding levels necessary for a permanent supportive housing  
9     development. The department, at its discretion, may consider other  
10    factors in the calculation if it supports the objectives of this part.

11    5849.7. (a) The department shall administer a competitive  
12    program, pursuant to Section 5849.8, and distribution program,  
13    pursuant to Section 5849.9, for awarding a total of two billion  
14    dollars (\$2,000,000,000) among counties to finance capital costs  
15    including, but not limited to, acquisition, design, construction,  
16    rehabilitation, or preservation, and to capitalize operating  
17    reserves, of permanent supportive housing for the target  
18    population.

19    (b) For the competitive program established by Section 5849.8,  
20    the following shall apply:

21    (1) A county may apply as the sole applicant if it is the  
22    development sponsor or jointly with a separate entity as  
23    development sponsor.

24    (2) Funded developments shall integrate the target population  
25    with the general public.

26    (3) Funded developments shall utilize low barrier tenant  
27    selection practices that prioritize vulnerable populations and offer  
28    flexible, voluntary, and individualized supportive services.

29    (4) The guidelines may provide for alternative housing models,  
30    such as shared housing models of fewer than five units. Integration  
31    requirements may be modified in shared housing.

32    (5) Funds shall be offered as deferred payment loans to finance  
33    capital costs including acquisition, design, construction,  
34    rehabilitation, or preservation, and to capitalize operating reserves  
35    of, permanent supportive housing for the target population.

36    (6) The department shall adopt guidelines establishing income  
37    and rent standards.

38    5849.8. (a) One billion eight hundred million dollars  
39    (\$1,800,000,000) shall be allocated from the fund for the purposes  
40    of the competitive program. The department shall develop a

1 competitive application process for the purpose of awarding  
2 moneys pursuant to this section. In considering applications, the  
3 department shall do all of the following:

4 (1) Restrict eligibility to applicants that meet the following  
5 minimum criteria:

6 (A) The county commits to provide mental health supportive  
7 services and to coordinate the provision of or referral to other  
8 services, including, but not limited to, substance use treatment  
9 services, to the tenants of the supportive housing development for  
10 at least 20 years. Services shall be provided onsite at the supportive  
11 housing development or in a location otherwise easily accessible  
12 to tenants. The county may use, but is not restricted to using, any  
13 of the following available funding sources as allowed by state and  
14 federal law:

15 (i) The Local Mental Health Services Fund established pursuant  
16 to subdivision (f) of Section 5892.

17 (ii) The Mental Health Account within the Local Health Welfare  
18 Trust Fund established pursuant to Section 17600.10.

19 (iii) The Behavioral Health Subaccount within the County Local  
20 Revenue Fund 2011 established pursuant to paragraph (4) of  
21 subdivision (f) of Section 30025 of the Government Code.

22 (iv) Funds received from other private or public entities.

23 (v) Other county funds.

24 (B) The county has developed a county plan to combat  
25 homelessness, which includes a description of homelessness  
26 countywide, any special challenges or barriers to serving the target  
27 population, county resources applied to address the issue, available  
28 community-based resources, an outline of partners and  
29 collaborations, and proposed solutions.

30 (C) Meet other threshold requirements including, but not limited  
31 to, developer capacity to develop, own, and operate a permanent  
32 supportive housing development for the target population,  
33 application proposes a financially feasible development with  
34 reasonable development costs.

35 (2) The department shall evaluate applications using, at  
36 minimum, the following criteria:

37 (A) The extent to which units assisted by the program are  
38 restricted to persons who are chronically homeless or at risk of  
39 chronic homelessness within the target population.

40 (B) The extent to which funds are leveraged for capital costs.

1     (C) *The extent to which projects achieve deeper affordability*  
2 *through the use of non-state project-based rental assistance,*  
3 *operating subsidies, or other funding.*

4     (D) *Project readiness.*

5     (E) *The extent to which applicants offer a range of on and*  
6 *off-site supportive services to tenants, including mental health*  
7 *services, behavioral health services, primary health, employment,*  
8 *and other tenancy support services.*

9     (b) *The department may establish an alternative process for*  
10 *allocating funds directly to counties, as calculated in Section*  
11 *5849.6, with at least five percent of the state's homeless population*  
12 *and that demonstrate the capacity to directly administer loan funds*  
13 *for permanent supportive housing serving the target population*  
14 *and the ability to prioritize individuals with mental health*  
15 *supportive needs who are homeless or at risk of chronic*  
16 *homelessness, consistent with this part and as determined by the*  
17 *department. The department shall adopt guidelines establishing*  
18 *the parameters of an alternative process, if any, and requirements*  
19 *for local administration of funds, including, but not limited to,*  
20 *project selection process, eligible use of funds, loan terms, rent*  
21 *and occupancy restrictions, provision of services, and reporting*  
22 *and monitoring requirements. Counties participating in the*  
23 *alternative process shall not be eligible for the competitive process*  
24 *and shall be limited to the amount calculated in Section 5849.6.*  
25 *Funds not committed to supportive housing developments within*  
26 *two years following award of funds to counties shall be returned*  
27 *to the state for the purposes of the competitive program. The*  
28 *department shall consider the following when selecting*  
29 *participating counties:*

30     (1) *Demonstrated ability to finance permanent supportive*  
31 *housing with local and federal funds, and monitor requirements*  
32 *for the life of the loan.*

33     (2) *Past history of delivering supportive services to the target*  
34 *population in housing.*

35     (3) *Past history of committing project-based vouchers to*  
36 *supportive housing.*

37     (4) *Ability to prioritize the most vulnerable within the target*  
38 *population through coordinated entry system.*

1     (c) The department shall set aside 8 percent of funds offered in  
2     Rounds 1 through 4, inclusive, for small counties as provided in  
3     subdivision (d) of Section 5849.6.

4     (d) The department shall award funds in at least four rounds  
5     as follows:

6     (1) The department shall issue its first request for proposal for  
7     the competitive program no later than 180 days after any deadline  
8     for appeals as set forth in Section 870 of the Code of Civil  
9     Procedure.

10    (2) The second round shall be completed no later than one year  
11    after the completion of the first round.

12    (3) The third round shall be completed no later than one year  
13    after the completion of the second round.

14    (4) The fourth round shall be completed no later than one year  
15    after the completion of the third round.

16    (5) Subsequent rounds shall occur annually thereafter in order  
17    to fully exhaust remaining funds and the department may  
18    discontinue the use of the competitive groupings in Section 5849.6,  
19    the alternative process in subdivision (b) for any funds not awarded  
20    by the county, and the rural set aside funds as set forth in  
21    subdivision (c).

22    (e) (1) Any loans made by the department pursuant to this  
23    section shall be in the form of secured deferred payment loans to  
24    pay for the eligible costs of development. Principal and  
25    accumulated interest is due and payable upon completion of the  
26    term of the loan, which shall be established through program  
27    guidelines adopted pursuant to Section 5849.5. The loan shall  
28    bear simple interest at a rate of three percent per annum on the  
29    unpaid principal balance. The department shall require annual  
30    loan payments in the minimum amount necessary to cover the costs  
31    of project monitoring. For the first 15 years of the loan term, the  
32    amount of the required loan payments shall not exceed forty-two  
33    hundredths of 1 percent per annum.

34    (2) The department may establish maximum loan-to-value  
35    requirements for some or all of the types of projects that are  
36    eligible for funding under this part, which shall be established  
37    through program guidelines adopted pursuant to Section 5849.5.

38    (3) The department shall establish per-unit and per-project loan  
39    limits for all project types.

1     (f) (1) *The department may designate an amount not to exceed*  
2 *four percent of funds allocated for the competitive program, not*  
3 *including funding allocated pursuant to subdivision (b), in order*  
4 *to cure or avert a default on the terms of any loan or other*  
5 *obligation by the recipient of financial assistance, or bidding at*  
6 *any foreclosure sale where the default or foreclosure sale would*  
7 *jeopardize the department's security in the rental housing*  
8 *development assisted pursuant to this part. The funds so designated*  
9 *shall be known as the "default reserve."*

10    (2) *The department may use default reserve funds made*  
11 *available pursuant to this section to repair or maintain any rental*  
12 *housing development assistance pursuant to this part to protect*  
13 *the department's security interest.*

14    (3) *The payment or advance of funds by the department pursuant*  
15 *to this subdivision shall be exclusively within the department's*  
16 *discretion, and no person shall be deemed to have any entitlement*  
17 *to the payment or advance of those funds. The amount of any funds*  
18 *expended by the department for the purposes of curing or averting*  
19 *a default shall be added to the loan amount secured by the rental*  
20 *housing development and shall be payable to the department upon*  
21 *demand.*

22    (g) (1) *Prior to disbursement of any funds for loans made*  
23 *pursuant this section, the department shall enter into a regulatory*  
24 *agreement with the developer that provides for all of the following:*

25     (A) *Sets standards for tenant selection to ensure occupancy of*  
26 *assisted units by eligible households of very low and low income*  
27 *for the term of the agreement.*

28     (B) *Governs the terms of occupancy agreements.*

29     (C) *Contains provisions to maintain affordable rent levels to*  
30 *serve eligible households.*

31     (D) *Provides for periodic inspections and review of year-end*  
32 *fiscal audits and related reports by the department.*

33     (E) *Permits a developer to distribute earnings in an amount*  
34 *established by the department and based on the number of units*  
35 *in the rental housing development.*

36     (F) *Has a term for not less than the original term of the loan.*

37     (G) *Contains any other provisions necessary to carry out the*  
38 *purposes of this part.*

1     (2) *The agreement shall be binding upon the developer and*  
2 *successors in interest upon sale or transfer of the rental housing*  
3 *development regardless of any prepayment of the loan.*

4     (3) *The agreement shall be recorded in the office of the county*  
5 *recorder in the county in which the real property subject to the*  
6 *agreement is located.*

7     5849.9. (a) *In addition to the competitive program established*  
8 *by Section 5849.8, the department shall distribute two hundred*  
9 *million dollars (\$200,000,000) from the fund on an*  
10 *“over-the-counter” basis to finance the construction,*  
11 *rehabilitation, or preservation, and to capitalize operating*  
12 *reserves, of permanent supportive housing for individuals in the*  
13 *target population with a priority for those with mental health*  
14 *supportive needs who are homeless or at risk of chronic*  
15 *homelessness. Funds to be awarded pursuant to this section shall*  
16 *be available to all counties within the state proportionate to the*  
17 *number of homeless persons residing within each county as*  
18 *calculated in Section 5849.6.*

19     (b) *Funds not awarded within 18 months following the first*  
20 *allocation of moneys in accordance with subdivision (d) shall be*  
21 *used for the purposes of the competitive program.*

22     (c) *The moneys described in subdivision (a) shall be*  
23 *administered either in accordance with the procedures for*  
24 *awarding funds to local agencies established by the existing Mental*  
25 *Health Services Act housing program administered by the*  
26 *Department of Health Care Services and the California Housing*  
27 *Finance Agency or alternative procedures developed by the*  
28 *department for distributing these moneys that enhance the*  
29 *efficiency and goals of the distribution program.*

30     (d) *The department shall make the first allocation of moneys*  
31 *pursuant to this section no later than 60 days after any deadline*  
32 *for appeals as set forth in Section 870 of the Code of Civil*  
33 *Procedure.*

34     5849.10. (a) *The sum of six million two hundred thousand*  
35 *dollars (\$6,200,000) is hereby appropriated from the Mental*  
36 *Health Services Fund to the department to provide technical and*  
37 *application preparation assistance to counties.*

38     (b) *Eligible use of technical and application preparation*  
39 *assistance shall include, but is not limited to, assistance in*  
40 *performing one or more of the following activities:*



1     (1) *Applying for program funds.*

2     (2) *Implementing activities funded by moneys distributed*  
3 *pursuant to this part, including the development of supportive*  
4 *housing for the target population.*

5     (3) *Coordinating funded activities with local homelessness*  
6 *systems, including coordinated access systems developed pursuant*  
7 *to Section 578.7(a)(8) of Title 24 of the Code of Federal*  
8 *Regulations, as that section read on May 1, 2016.*

9     (4) *Delivering a range of supportive services to tenants.*

10    (5) *Collecting data, evaluating program activities, and sharing*  
11 *data among multiple systems, such as the Mental Health Services*  
12 *Act, enacted by Proposition 63 at the November 2, 2004, statewide*  
13 *general election, the Medi-Cal Act (Chapter 7 (commencing with*  
14 *Section 14000) of Part 3 of Division 9) and implementing*  
15 *regulations, and homelessness systems.*

16    (c) *The department shall provide funds to a county upon*  
17 *application as follows:*

18     (1) *To a large county and to the County of Los Angeles, the*  
19 *department shall provide one hundred fifty thousand dollars*  
20 *(\$150,000).*

21     (2) *To a medium county, the department shall provide one*  
22 *hundred thousand dollars (\$100,000).*

23     (3) *To a small county, the department shall provide seventy-five*  
24 *thousand dollars (\$75,000).*

25    (d) *If a county does not expend the moneys allocated pursuant*  
26 *to subdivision (c) by June 30, 2020, those moneys shall be used to*  
27 *augment the funding pursuant to subdivision (e).*

28    (e) *The department may contract for expert technical assistance*  
29 *and application preparation assistance. The department shall*  
30 *deploy such assistance to counties based upon a process to be*  
31 *defined in guidelines.*

32    (f) *The department may establish a unit for the purpose of*  
33 *providing technical assistance to counties.*

34    5849.11. (a) *The counties shall annually report to the*  
35 *department on activities funded under this part, including*  
36 *information on the funded supportive housing development.*  
37 *Reported information shall include location of projects, number*  
38 *of units assisted, occupancy restrictions, number of individuals*  
39 *and households served, related income levels, and homeless,*  
40 *veteran, and mental health status*

1     (b) The department shall submit a report on the program to the  
2     Legislature by December 31 of each year, commencing with the  
3     year after the first full year in which the program is in effect. The  
4     report shall contain the following:

5     (1) The processes established for distributing funds.

6     (2) The distribution of funds among counties.

7     (3) Any recommendations as to modifications to the program  
8     for the purpose of improving efficiency or furthering the goals of  
9     the program.

10    (c) The report required to be submitted by subdivision (b) shall  
11    be submitted in compliance with Section 9795 of the Government  
12    Code.

13    5849.12. (a) Upon an appropriation of funds for the purpose  
14    of this section, the department shall contract with a public or  
15    private research university in this state to evaluate the program.  
16    The department shall develop the research design and issue a  
17    request for proposal for a contract for the evaluation, with the  
18    assistance of the Legislative Analyst's Office and the Department  
19    of Finance.

20    (b) The department shall submit the final research design and  
21    request for proposal required by subdivision (a) to the Chairperson  
22    of the Joint Legislative Budget Committee no more than 30 days  
23    prior to executing a contract for the evaluation.

24    5849.13. An action to determine the legality of any action by  
25    the department pursuant to this part may be brought pursuant to  
26    Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of  
27    the Code of Civil Procedure.

28    5849.14. The Department of Finance may authorize a loan  
29    from the General Fund to the No Place Like Home Fund for  
30    cashflow purposes in an amount not to exceed one million dollars  
31    (\$1,000,000) subject to the following conditions:

32    (a) The loan is to allow the department to begin program  
33    implementation activities, including, but not limited to, drafting  
34    program guidelines and regulations.

35    (b) The loan is short term, and shall be repaid within 30 days  
36    after the deposit of bond proceeds into the fund pursuant to  
37    paragraph (1) of subdivision (b) of Section 5849.4.

38    (c) Interest charges may be waived pursuant to subdivision (e)  
39    of Section 16314 of the Government Code.

1     *SEC. 4. The Legislature finds and declares that this act furthers*  
2     *the intent of the Mental Health Services Act, enacted by Proposition*  
3     *63 at the November 2, 2004, statewide general election.*

4     *It is intent of the Legislature that the costs to service the debt*  
5     *for the bond authorized by this act shall not impede in any way*  
6     *the direct mental health services provided by counties, and that*  
7     *the counties shall maximize the use of all available state, federal,*  
8     *and local funding sources, including those listed in Section 5849.7*  
9     *of the Welfare and Institutions Code, to support direct local mental*  
10    *health services.*

11    *SEC. 5. This act is a bill providing for appropriations related*  
12    *to the Budget Bill within the meaning of subdivision (e) of Section*  
13    *12 of Article IV of the California Constitution, has been identified*  
14    *as related to the budget in the Budget Bill, and shall take effect*  
15    *immediately.*

16    ~~SECTION 1. It is the intent of the Legislature to enact statutory~~  
17    ~~changes, relating to the Budget Act of 2016.~~